EXHIBIT 1
DATE 4-2-07
SB 127

FAQs

SB 127
"GRANHOLM-IZING WINE DISTRIBUTION IN MONTANA "

1. **Question**: **Why are there limits placed on the quantity of wine that can be sold direct from wineries to retailers?**

Answer: **Two fold: leveling the playing field among Montana retailers and controlling the potential loss of tax revenue.**

Leveling playing field: **Currently, the mega-retailers hold the power in the wine distribution system. If stores like Costco and Walmart can direct order wine in massive quantities, they can vastly undercut the price offered by Montana's smaller wine stores, like Toppers or convenience stores. Limited quantities of wine being direct-shipped levels the playing field among retailers in Montana.**

Controlling Loss of Tax Revenue**: Under the pre-Granholm system, the middle tier of the distribution system is the window that allows the wine distribution system in this country to be transparent. With a middle tier, the state knew where the wine came from, how much entered the state, where it was stored, to whom it was sold and if the proper taxes were paid. With the change to be made by SB 127, Montana will have less control over, and knowledge about where the wine comes from, to whom it is sold or has access to it, or if the state is to collect the proper tax from the sale. With volume limits, we can minimize any potential loss of tax revenue because we believe that most wine will continue to be distributed through the three tier system.**

2. **Question**: **The volume limits sound like a turf war among members of the industry. Where does the consumer fit into all of this?**

Answer: The consumer will win. The consumer will not be affected by the volume caps. The caps are merely a mechanism, for balancing access with regulated orderly, accountable, flow of, a "unique product which should be regulated differently than other products by the State and Federal Government. The consumer wins by the tight control of the product. Various modifications to the three tier system have always been motivated to balance access with regulated control and from our experience, the consumer always wins.

3. **Question**: Why are there different volumes for wine distributed by the winery's own equipment and employees and the wine to be distributed by common carrier?

Answer: Less trust for deliveries made by common carrier – those businesses are not under the control of the Department of revenue. While it was necessary for the business model of certain small wineries to continue *some* use of common carrier, it was determined that the use should be quite limited, on a per shipment basis.

4. **Question**: Why is there a requirement that the winery use its own equipment and employees?

Answer: First of all, the idea for this limitation came from Washington State. Their legislation to allow shipment of wine direct from out-of-state wineries to retailers contains a similar limitation. Again, the reason is enforceability. This limit recognizes that the distributor in the current three-tier system assists in the enforcement of laws relating to the distribution of alcoholic beverages. To the extent that the distributor is being supplanted by an out-of-state winery, that winery must maintain control of the product and using its own employees and equipment is the most

surefire way to accomplish that goal.

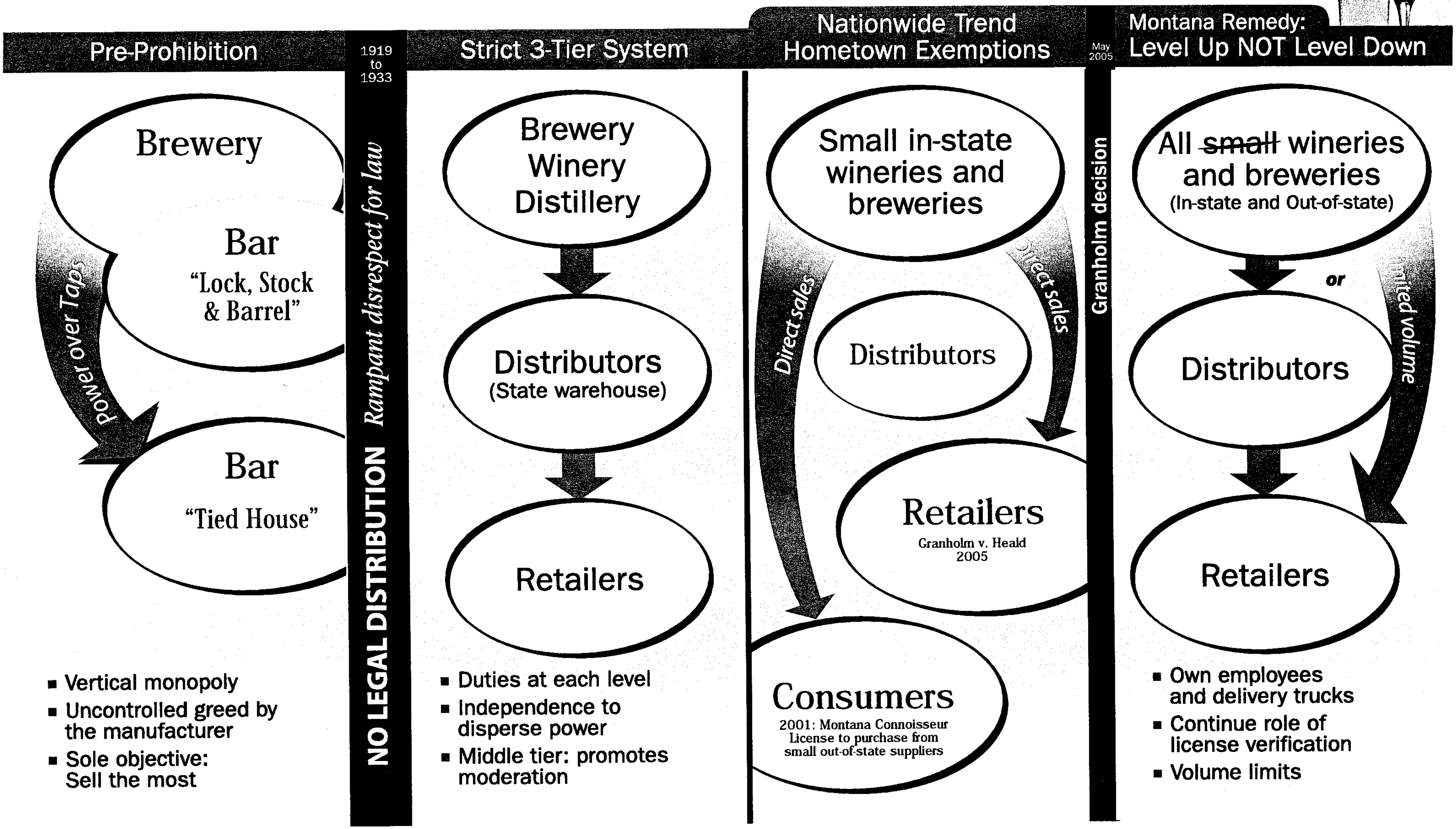
There is another principle at play: non-delegable duty or accountability. The wineries should be directly accountable for assuring that their product reaches only properly licensed Montana retailers – and (other than the very limited volumes by common carrier) they should not be allowed to delegate that duty.

The preferred method of delivery under the system to be established by SB 127 should be by use of the wineries' own equipment and employees.

5. **Remember: This is a consensus bill endorsed by the Montana wineries, out-of-state wineries (represented by The Wine Institute, the Montana Beer & Wine Distributors' Association, and the government agency responsible for enforcement of liquor control laws: the Department of Revenue.**

Kristi Blazer
Montana Beer & Wine Distributors' Ass'n
(406) 459-1318

American Alcohol Distribution System



MBWDA MONTANA BEER AND WINE DISTRIBUTORS ASSOCIATION

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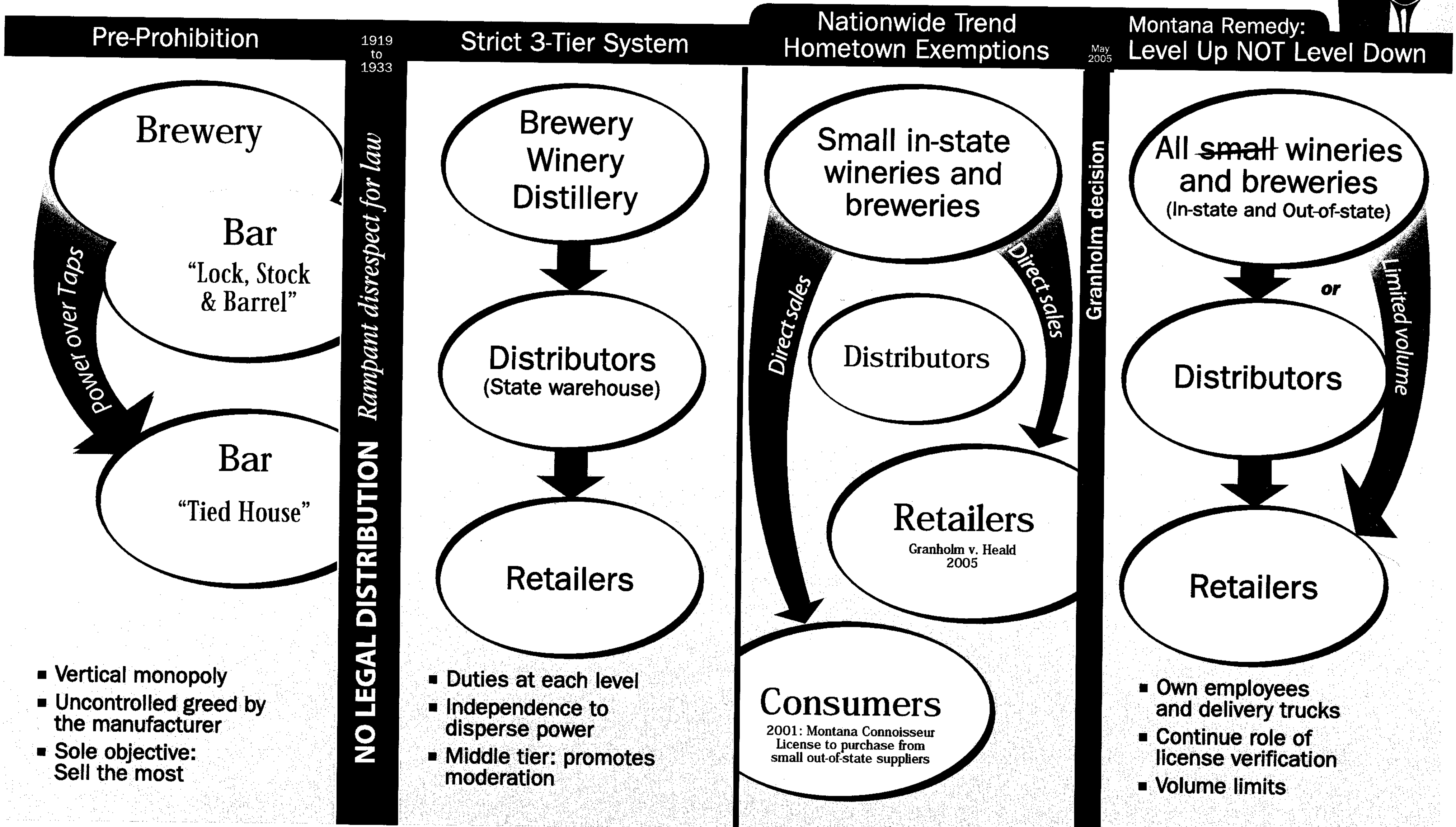

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